

MT. PLEASANT HOUSING COMMISSION
MT. PLEASANT, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Mt. Pleasant Housing Commission	County* ISABELLA	Type* OTHER	MuniCode*
Opinion Date-Use Calendar* October 30, 20	Audit Submitted-Use Calendar* December 4, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? \$874,951
General Fund Expenditure:	? \$950,396
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$2,986,331
Governmental Activities Long-Term Debt (see instructions):	?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050		
CPA Street Address* 731 S. Garfield Ave.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 1 Mosher Street	Unit's City* Mt. Pleasant	Unit's Zip* 48858	

MT. PLEASANT HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Mt. Pleasant Housing Commission
Mt. Pleasant, Michigan

I have audited the accompanying financial statements of the business-type activities of the Mt. Pleasant Housing Commission, Michigan, (Housing Commission) a component unit of the City of Mt. Pleasant, as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Mt. Pleasant Housing Commission, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mt. Pleasant Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated October 30, 2008, on my consideration of the Mt. Pleasant Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 10, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Mt. Pleasant Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Mt. Pleasant Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bary E. Jankovich, PA, PC

October 30, 2008

**Mt. Pleasant Housing Commission
Management's Discussion and Analysis (MD&A)
March 31, 2008
(Unaudited)**

As management of the Mt. Pleasant Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Mt. Pleasant Housing Commission's financial activities for the fiscal year ended March 31, 2008. This discussion and analysis letter of the Mt. Pleasant Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2008 were \$2,986,331. The net assets decreased by \$273, a decrease of 0.01% from the prior year.

Revenues and contributions for the Commission were \$950,123 for the fiscal year ended March 31, 2008. This was an increase of \$33,054 or 3.6% over the prior year.

Expenses for the Commission were \$950,396 for the fiscal year ended March 31, 2008. This was an increase of \$51,546 or 5.7% over the prior year.

HUD operating grants were \$501,818 for the fiscal year ended March 31, 2008. This was an increase of \$64,478 or 14.7% over the prior year. Capital contributions were \$75,172 for the fiscal year ended March 31, 2008. This was a decrease of \$46,083 or 38.0% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Mt. Pleasant Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,986,331 at the close of the fiscal year ended March 31, 2008 a decrease from \$2,986,604 in 2007. The decrease in net assets of \$273 was due to the change in net assets for the fiscal year.

The unrestricted net assets were \$417,710 as of March 31, 2008. This amount may be used to meet the Commission's ongoing obligations. The Commission had net assets of \$31,081 classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS
MARCH 31,

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$ 564,958	\$ 559,989	\$ 4,969	0.89%
Capital assets	<u>2,537,540</u>	<u>2,560,725</u>	<u>(23,185)</u>	<u>(0.91)%</u>
Total Assets	<u>3,102,498</u>	<u>3,120,714</u>	<u>(18,216)</u>	<u>(0.58)%</u>
Current liabilities	106,172	118,322	(12,150)	(10.27)%
Noncurrent liabilities	<u>9,995</u>	<u>15,788</u>	<u>(5,793)</u>	<u>(36.69)%</u>
Total Liabilities	<u>116,167</u>	<u>134,110</u>	<u>(17,943)</u>	<u>(13.38)%</u>
Net Assets:				
Invested in capital assets	2,537,540	2,560,725	(23,185)	(0.91)%
Restricted	31,081		31,081	100.00%
Unrestricted	<u>417,710</u>	<u>425,879</u>	<u>(8,169)</u>	<u>(1.92)%</u>
Total Net Assets	<u>\$2,986,331</u>	<u>\$2,986,604</u>	<u>\$ (273)</u>	<u>(0.01)%</u>

Total current assets increase of \$4,969 was due in large part to a receivable from HUD in the capital fund program of \$18,626.

Current liabilities decreased by \$5,793 due mostly to the payment in the Housing Choice Voucher Program for a payable of \$12,992 from the prior year. Long-term compensated absences decreased by \$5,793 from the prior year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 335,373	\$ 334,816	\$ 557	0.2%
Other Revenue	19,657	5,609	14,048	250.5%
Total PHA generated Revenue	355,030	340,425	14,605	4.3%
HUD operating grants	501,818	437,340	64,478	14.7%
Capital contributions	75,172	121,255	(46,083)	(38.0)%
Interest income	18,103	18,049	54	0.3%
Total Revenues and Contributions	<u>950,123</u>	<u>917,069</u>	<u>33,054</u>	<u>3.6%</u>
Expenses				
Personnel services	296,628	258,834	37,794	14.6%
Utilities	131,302	139,245	(7,943)	(5.7)%
Operations and maintenance	108,441	98,726	9,715	9.8%
Insurance	22,397	28,935	(6,538)	(22.6)%
Payments in lieu of taxes	19,621	18,484	1,137	6.2%
Other supplies and expenses	47,823	34,049	13,774	40.5%
Housing Assistance Payments	175,758	173,919	1,839	1.1%
Depreciation	148,426	146,658	1,768	1.2%
Total Expenses	<u>950,396</u>	<u>898,850</u>	<u>51,546</u>	<u>5.7%</u>
Change in net assets	(273)	18,219	(18,492)	
Prior period adjustments		21,189	(21,189)	
Beginning net assets	<u>2,986,604</u>	<u>2,947,196</u>	<u>39,408</u>	
Ending net assets	<u>\$2,986,331</u>	<u>\$2,986,604</u>	<u>\$ (273)</u>	

Revenues:

Mt. Pleasant Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Total revenues and contributions increased by \$33,054, in part, due to an increase in other revenue of \$14,048 due to an increase in laundry collections and an increase in nondwelling rents. Also, the HUD operating subsidy increased by \$77,652 over the prior year due to HUD increasing its funding formula and the capital fund program decreased by \$73,171 from the prior year due to not using any of the 2007 CFP funding during this fiscal year and only a portion of the 2006 CFP funding. For fiscal year ending March 31, 2008, revenue generated by the Commission accounted for \$355,030 (or 37% of total revenue), while HUD contributions accounted for \$576,990 (or 61% of total revenue).

FINANCIAL ANALYSIS (CONTINUED)

Expenses:

Total Expenses for the fiscal ending March 31, 2008 were \$950,396 while for the fiscal year ending March 31, 2007 was \$898,850. This represents an 5.7% increase in our Operating Costs, an amount that can be substantially attributed to an increase in personnel services of \$37,794 over the prior year, due mostly to an increase in wages. Utilities decreased by \$7,943, because gas costs decreased by \$13,833 from the prior year. Operations and maintenance expenses increased by \$9,715, in part due to extraordinary maintenance costs of \$17,712 for floor covering in the administrative offices. Other supplies and expenses increased by \$13,774, in part, because of increased legal costs, travel and computer expenses.

The following represents changes in Federal Assistance received:

	<u>03/31/08</u>	<u>03/31/07</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing Operating Subsidy	\$ 283,217	\$205,565	\$ 77,652	37.77%
Capital Fund Program Grants	75,172	148,343	(73,171)	(49.33)%
Sec. 8 Voucher	<u>218,601</u>	<u>204,687</u>	<u>13,914</u>	<u>6.80%</u>
Total	<u>\$ 576,990</u>	<u>\$558,595</u>	<u>\$ 18,395</u>	<u>3.29%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 increased due mostly to HUD overfunding the program. The subsidy for Public Housing increased mainly due to the formula for funding being higher. The decrease in the Capital Fund Program funding was due to the use of the remaining 2006 CFP funding and not using any the available 2007 CFP funding as of March 31, 2008.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2008 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

OPERATIONAL HIGHLIGHTS

The Mt. Pleasant Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2007</u>
Low Rent Public Housing	123	123
Sec. 8 Housing Choice Voucher	50	50

OPERATIONAL HIGHLIGHTS (CONTINUED)

During the fiscal year ending March 31, 2008, the Mt. Pleasant Housing Commission maintained a lease-up rate of 81.4% in its Public Housing Program and a lease-up rate of 96.2% in its Section 8 program.

CAPITAL ASSETS

The Mt. Pleasant Housing Commission's investment in capital assets, as of March 31, 2008 amounts to \$2,537,540 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION MARCH 31,

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>
Land	\$ 243,557	\$ 243,557	\$
Buildings	4,939,266	4,752,558	186,708
Furniture, equipment and machinery-administration	143,948	128,637	15,311
Construction in progress	<u>7,275</u>	<u>84,053</u>	<u>(76,778)</u>
	5,334,046	5,208,805	125,241
Accumulated depreciation	<u>(2,796,506)</u>	<u>(2,648,080)</u>	<u>(148,426)</u>
Total	<u>\$ 2,537,540</u>	<u>\$ 2,560,725</u>	<u>\$ (23,185)</u>

Capital assets decreased by \$23,185, because the capital outlays of \$125,241 was less than the depreciation of \$148,426.

During the fiscal year ending March 31, 2008, our Capital Fund Program work projects included:

- * High-rise building: Fire control panels, one computer, two snap drives, and sliding glass doors.
- * Scattered Site Housing: No capital asset expenditures were done this fiscal year.

Capital fund projects for the fiscal year ending March 31, 2008 include carpet replacement for lobbies and paint in the high-rise building.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Kim Johnson, Executive Director
Mt. Pleasant Housing Commission
1 W. Mosher Street
Mt. Pleasant, MI 48858

FINANCIAL STATEMENTS

MT. PLEASANT HOUSING COMMISSION
STATEMENT OF NET ASSETS
March 31, 2008
=====

ASSETS

Current Assets:

Cash and cash equivalents	\$ 356,701
Cash-restricted	31,081
Receivables	20,446
Investments	142,025
Prepaid expenses	9,841
Inventories	<u>4,864</u>

Total Current Assets	<u>564,958</u>
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Capital Assets:

Land	243,557
Buildings	4,939,266
Equipment	143,948
Construction in progress	<u>7,275</u>
	5,334,046
Less: accumulated depreciation	<u>(2,796,506)</u>

Net Capital Assets	<u>2,537,540</u>
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Total Assets	<u><u>\$ 3,102,498</u></u>
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See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2008
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LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 23,789
Tenant security deposit liability	31,149
Accrued expenses	46,558
Deferred revenues	<u>4,676</u>

Total Current Liabilities 106,172

Noncurrent liabilities:

Accrued compensated absences	<u>9,995</u>
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Total Liabilities 116,167

Net Assets:

Invested in capital assets	2,537,540
Restricted net assets	31,081
Unrestricted net assets	<u>417,710</u>

Total Net Assets 2,986,331

Total Liabilities and Net Assets \$ 3,102,498

See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

Year Ended March 31, 2008

=====

OPERATING REVENUES:

Dwelling rent	\$ 321,598
Nondwelling rent	13,775
Operating grants	<u>501,818</u>

Total operating revenues	<u>837,191</u>
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OPERATING EXPENSES:

Administration	199,377
Tenant services	14,077
Utilities	131,302
Ordinary maintenance and operation	219,872
General expenses	43,872
Extraordinary maintenance	17,712
Housing assistance payments	175,758
Depreciation	<u>148,426</u>

Total operating expenses	<u>950,396</u>
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Operating income (loss)	<u>(113,205)</u>
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NONOPERATING REVENUES:

Fraud recovery	344
Investment interest income	18,103
Other income	<u>19,313</u>

Total nonoperating revenues	<u>37,760</u>
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Income (loss) before contributions	(75,445)
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CAPITAL CONTRIBUTIONS

	<u>75,172</u>
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Change in net assets	(273)
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Net assets, beginning	<u>2,986,604</u>
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Net assets, ending	<u>\$ 2,986,331</u>
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See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2008
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 334,937
Cash received from operating grants	488,826
Cash payments to other suppliers of goods and services	(501,895)
Cash payments to employees for services	(282,179)
Cash payments for in lieu of taxes	<u>(18,484)</u>

Net cash provided by operating activities	<u>21,205</u>
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CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES:

Tenant security deposits	(1,543)
Fraud recovery	344
Other revenue	<u>19,313</u>

Net cash provided by noncapital financing activities	<u>18,114</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	56,546
Payments for capital acquisitions	<u>(125,241)</u>

Net cash (used) by capital and related financing activities	<u>(68,695)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts of interest and dividends	<u>18,166</u>
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Net cash provided by investing activities	<u>18,166</u>
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Net increase(decrease) in cash	(11,210)
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Cash and cash equivalents, beginning	<u>398,992</u>
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Cash and cash equivalents, ending	<u><u>\$ 387,782</u></u>
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MT. PLEASANT HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2008
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RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating income(loss)	\$(113,205)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	148,426
Bad debt allowance	77
Allowance for obsolete inventory	540
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(655)
Prepaid expenses	896
Inventories	1,526
Increase (decrease) in liabilities:	
Accounts payable	(19,213)
Accounts payable-HUD	(12,992)
Accrued wage/payroll taxes payable	21,690
Accrued compensated absences	(7,241)
Accounts payable-PILOT	1,137
Deferred revenues	<u>219</u>
Net cash provided by operating activities	<u>\$ 21,205</u>

See notes to financial statements

MT. PLEASANT HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

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NOTE 1: Summary of Significant Accounting Policies

The Mt. Pleasant Housing Commission (the Housing Commission) is a component unit of the City of Mt. Pleasant, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Mt. Pleasant on May 23, 1966, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current

1(c) Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

1(d) Assets, Liabilities, and Equity (Continued)

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$600 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

1(d) Assets, Liabilities, and Equity (Continued)

Capital Assets (Continued)

Land improvements	15 years
Buildings	40 years
Building improvements	15 years
Nondwelling structures	10 years
Equipment - portable	10 years
Furnishings	5 years
Office equipment	5 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- c. Restricted net assets - Consists of net assets of the Housing Choice Voucher Program that are restricted by HUD because of excess funding, but are expendable for HAP payments.

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund are charges to tenants for rents, nondwelling rents,

1(e) Revenues, Expenditures, and Expenses (Continued)

Operating Revenues and Expenses (Continued)

and operating grants from HUD. Operating expenses for the enterprise fund include the cost of administrative, tenant services, utilities, ordinary maintenance and operation, general, interest, casualty losses, extraordinary maintenance, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with

2(b) Deposits and Investments Laws and Regulations (Continued)

acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended March 31, 2008, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

3(a) Cash and Investments (Continued)

Deposits (Continued)

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$162,777	\$162,777	\$	\$	\$ 165,972
Savings	<u>221,710</u>	<u>221,710</u>			<u>221,710</u>
	<u>\$384,487</u>	<u>\$384,487</u>	<u>\$</u>	<u>\$</u>	<u>\$ 387,682</u>

Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificates of deposits	<u>\$ 142,025</u>	<u>\$</u>	<u>\$</u>	<u>\$ 142,025</u>	<u>\$ 142,025</u>

3(a) Cash and Investments (Continued)

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 100
Carrying amount of deposits	387,682
Investments	<u>142,025</u>
Total	<u>\$ 529,807</u>
Cash and investments:	
Enterprise activities	\$ 526,613
Enterprise activities - deposit in transit	3,437
Enterprise activities - checks written in excess of deposits	(243)
Total	<u>\$ 529,807</u>

3(b) Accounts Receivable

Receivables detail at March 31, 2008, is as follows:

Accounts receivable-HUD	\$ 18,626
Tenant accounts receivable	2,009
Allowance for doubtful accounts	(410)
Accrued interest receivable	<u>221</u>
Total	<u>\$ 20,446</u>

3(c) Inventories

Inventory detail at March 31, 2008, is as follows:

Inventory	\$ 5,404
Allowance for obsolete inventories	(540)
Total	<u>\$ 4,864</u>

3(d) Capital Assets

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Balance</u> <u>03/31/07</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>03/31/08</u>
Low Rent Program				
Land	\$ 243,557	\$	\$	\$ 243,557
Buildings	4,728,218	134,758		4,862,976
Furniture, equip. & machinery - administration	<u>85,701</u>	<u>21,046</u>		<u>106,747</u>
	5,057,476	<u>\$ 155,804</u>	<u>\$</u>	5,213,280
Less accumulated depreciation	<u>(2,639,116)</u>	<u>\$ (143,880)</u>	<u>\$</u>	<u>(2,782,996)</u>
Total	<u>\$2,418,360</u>			<u>\$2,430,284</u>

3(d) Capital Assets (Continued)

	<u>Balance</u> <u>03/31/07</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>03/31/08</u>
Capital Fund Program				
Buildings	\$ 24,340	\$ 51,950	\$	\$ 76,290
Furniture, equip. & machinery - administration	42,936		5,735	37,201
Construction in progress	<u>84,053</u>		<u>76,778</u>	<u>7,275</u>
	151,329	<u>\$ 51,950</u>	<u>\$ 82,513</u>	120,766
Less accumulated depreciation	(8,964)	<u>\$(11,050)</u>	<u>\$ 6,504</u>	(13,510)
Total	<u>\$ 142,365</u>			<u>\$ 107,256</u>
Combined Totals				<u>\$2,537,540</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	\$ 137,376
Capital Fund Program	<u>11,050</u>
	<u>\$ 148,426</u>

3(e) Accounts Payable

Payable detail at March 31, 2008, is as follows:

Accounts payable - vendors	\$ 4,168
Accounts payable - other government-PILOT	<u>19,621</u>
	<u>\$ 23,789</u>

3(f) Accrued Expenses

Accrued expense detail at March 31, 2008, is as follows:

Accrued wage/payroll taxes payable	\$ 44,059
Accrued compensated absences-current portion	<u>2,499</u>
	<u>\$ 46,558</u>

3(g) Interprogram Transactions and Balances

Operating Transfers

There were no operating transfers during the fiscal year ended March 31, 2008.

Interprogram Receivable/Payable

Low Rent Program	\$ 23,341
Capital Fund Program	(18,626)
Housing Choice Voucher Program	<u>(4,715)</u>
	<u>\$</u>

3(h) Non-current Liabilities

As of March 31, 2008, the non-current liabilities are comprised of the following:

Accrued compensated absences - noncurrent portion	<u>\$ 9,995</u>
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The following is a summary of changes in non-current liabilities for the year ended March 31, 2008:

	<u>Balance</u> <u>03/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03/31/08</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Accrued compensated absences	<u>\$ 15,788</u>	<u>\$</u>	<u>\$ 5,793</u>	<u>\$ 9,995</u>	<u>\$ 2,499</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

The Housing Commission on April 1, 2002, began a Simplified Employee Pension Plan covering full-time employees that have completed a six-month probation period. The Housing Commission makes monthly contributions to the Plan equal to 12 percent of salaries. Upon separation, accrued funds remain the property of that individual. During the fiscal year ended March 31, 2008 the Housing Commission contributed a total of \$24,350.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with the Michigan Township PAR Plan.
b. Injuries to employees (workers' compensation)	Included in the City of Mt. Pleasant plan.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$250 deductibles from the Michigan Township PAR Plan.

4(b) Risk Management (Continued)

Type of Loss	Method Managed
d. Health and life	Included in the City of Mt. Pleasant plan.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Construction

At March 31, 2008, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2006 CFP	\$ 129,228	\$ 129,228
2007 CFP	129,684	-
2008 CFP	126,966	-

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(d) Equity Transfers

Low Rent Public Housing Program

To transfer equity from 2005 CFP to LR	<u>\$ 99,231</u>
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Capital Fund Program

To transfer equity from 2005 CFP to LR	<u>\$ (99,231)</u>
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SUPPLEMENTARY INFORMATION

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

March 31, 2008

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	C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 233,112	\$
Cash-restricted		
Receivables	1,820	18,626
Investments-unrestricted	142,025	
Prepaid expenses	9,841	
Inventories	4,864	
Due from other programs	<u>23,341</u>	<u> </u>
Total current assets	<u>415,003</u>	<u>18,626</u>
Capital assets:		
Land	243,557	
Buildings	4,862,976	76,290
Equipment	106,747	37,201
Construction in progress	<u> </u>	<u>7,275</u>
	5,213,280	120,766
Less accumulated depreciation	<u>(2,782,996)</u>	<u>(13,510)</u>
Net capital assets	<u>2,430,284</u>	<u>107,256</u>
Total Assets	<u>\$ 2,845,287</u>	<u>\$ 125,882</u>

Housing Choice Vouchers 14.871	Totals
\$ 123,589	\$ 356,701
31,081	31,081
	20,446
	142,025
	9,841
	4,864
	23,341
<u>154,670</u>	<u>588,299</u>
	243,557
	4,939,266
	143,948
	7,275
	5,334,046
	(2,796,506)
	<u>2,537,540</u>
<u>\$ 154,670</u>	<u>\$ 3,125,839</u>

MT. PLEASANT HOUSING COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 BY PROGRAM (CONTINUED)
 March 31, 2008
 =====

C-3062	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

LIABILITIES and NET ASSETS

Current liabilities:		
Accounts payable	\$ 23,630	\$
Tenant security deposit liability	31,149	
Accrued expenses	46,498	
Deferred revenues	4,676	
Due to other programs	<u> </u>	<u>18,626</u>
Total current liabilities	105,953	18,626
Noncurrent liabilities:		
Accrued compensated absences	<u>9,757</u>	<u> </u>
Total liabilities	<u>115,710</u>	<u>18,626</u>
Net Assets:		
Invested in capital assets	2,430,284	107,256
Restricted net assets		
Unrestricted net assets	<u>299,293</u>	<u> </u>
Total net assets	<u>2,729,577</u>	<u>107,256</u>
Total Liabilities and Net Assets	<u>\$2,845,287</u>	<u>\$ 125,882</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 159	\$ 23,789
60	31,149
	46,558
	4,676
<u>4,715</u>	<u>23,341</u>
4,934	129,513
<u>238</u>	<u>9,995</u>
<u>5,172</u>	<u>139,508</u>
	2,537,540
31,081	31,081
<u>118,417</u>	<u>417,710</u>
<u>149,498</u>	<u>2,986,331</u>
<u>\$ 154,670</u>	<u>\$ 3,125,839</u>

MT. PLEASANT HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended March 31, 2008
 =====

	C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 321,598	\$
Nondwelling rent	13,775	
Operating grants	<u>283,217</u>	<u> </u>
Total operating revenues	<u>618,590</u>	<u> </u>
OPERATING EXPENSES:		
Administration	187,953	
Tenant services	14,077	
Utilities	131,302	
Ordinary maintenance and operation	219,872	
General expenses	43,819	
Extraordinary maintenance	17,712	
Housing assistance payments		
Depreciation	<u>137,376</u>	<u>11,050</u>
Total operating expenses	<u>752,111</u>	<u>11,050</u>
Operating income(loss)	<u>(133,521)</u>	<u>(11,050)</u>
NONOPERATING REVENUES:		
Fraud recovery		
Investment interest income	13,461	
Other income	<u>19,313</u>	<u> </u>
Total nonoperating revenues	<u>32,774</u>	<u> </u>
Income(loss) before contributions	(100,747)	(11,050)
CAPITAL CONTRIBUTIONS	<u> </u>	<u>75,172</u>
Change in net assets	(100,747)	64,122
Equity Transfers	99,231	(99,231)
Net assets, beginning	<u>2,731,093</u>	<u>142,365</u>
Net assets, ending	<u>\$2,729,577</u>	<u>\$107,256</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 321,598
	13,775
<u>218,601</u>	<u>501,818</u>
<u>218,601</u>	<u>837,191</u>
11,424	199,377
	14,077
	131,302
	219,872
53	43,872
	17,712
175,758	175,758
<u></u>	<u>148,426</u>
<u>187,235</u>	<u>950,396</u>
<u>31,366</u>	<u>(113,205)</u>
344	344
4,642	18,103
<u></u>	<u>19,313</u>
<u>4,986</u>	<u>37,760</u>
36,352	(75,445)
<u></u>	<u>75,172</u>
36,352	(273)
<u>113,146</u>	<u>2,986,604</u>
<u>\$ 149,498</u>	<u>\$ 2,986,331</u>

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended March 31, 2008

=====

	C-3062 Low Rent Program 14.850a	Capital Fund Program 14.872
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 334,937	\$
Cash received from operating grants	283,217	
Cash payments to other suppliers of goods and services	(321,709)	
Cash payments to employees for services	(273,649)	
Cash payments for in lieu of taxes	(18,484)	
	<u>4,312</u>	
Net cash provided by operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	(1,543)	
Due from/to other funds	(24,397)	18,626
Fraud recovery		
Other revenue	<u>19,313</u>	
Net cash provided by noncapital financing activities	<u>(6,627)</u>	<u>18,626</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		56,546
Payments for capital acquisitions	(50,069)	(75,172)
Net cash (used) by capital and related financing activities	<u>(50,069)</u>	<u>(18,626)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest and dividends	<u>13,524</u>	
Net cash provided by investing activities	<u>13,524</u>	
Net increase(decrease) in cash	(38,860)	
Cash and cash equivalents, beginning	<u>271,972</u>	
Cash and cash equivalents, ending	<u>\$ 233,112</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
\$ 205,609	\$ 334,937
(180,186)	(488,826)
(8,530)	(501,895)
	(282,179)
	(18,484)
16,893	21,205
5,771	(1,543)
344	344
	19,313
6,115	18,114
	56,546
	(125,241)
	(68,695)
4,642	18,166
4,642	18,166
27,650	(11,210)
127,020	398,992
\$ 154,670	\$ 387,782

MT. PLEASANT HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)
Year Ended March 31, 2008

=====

C-3062	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

**RECONCILIATION OF OPERATING INCOME
(LOSS) TO NET CASH PROVIDED BY
OPERATING ACTIVITIES:**

Operating income(loss)	\$ (133,521)	\$ (11,050)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	137,376	11,050
Bad debt allowance	77	
Allowance for obsolete inventory	540	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(655)	
Prepaid expenses	896	
Inventories	1,526	
Increase (decrease) in liabilities:		
Accounts payable	(19,172)	
Accounts payable-HUD		
Accrued wage/payroll taxes payable	23,183	
Accrued compensated absences	(7,294)	
Accounts payable-PILOT	1,137	
Deferred revenues	<u>219</u>	
Net cash provided by operating activities	<u>\$ 4,312</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
\$ 31,366	\$ (113,205)
	148,426
	77
	540
	(655)
	896
	1,526
(41)	(19,213)
(12,992)	(12,992)
(1,493)	21,690
53	(7,241)
	1,137
	219
<u>\$ 16,893</u>	<u>\$ 21,205</u>

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2008
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2008	Low Rent Public Housing	14.850a	\$ 283,217
	<u>Public and Indian Housing Major - Direct Program</u>		
2008	Capital Fund Program	14.872	75,172
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2008	Housing Choice Vouchers	14.871	<u>218,601</u>
	Total		<u>\$ 576,990</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

MT. PLEASANT HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2008

=====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 201,963	\$
113	Cash-other restricted		
114	Cash-tenant security deposits	<u>31,149</u>	
100	Total cash	<u>233,112</u>	
	Receivables:		
122	A/R-HUD other projects		18,626
126	A/R-tenants-dwelling rents	2,009	
126.1	Allowance for doubtful accounts	(410)	
129	Accrued interest receivable	<u>221</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>1,820</u>	<u>18,626</u>
131	Investments-unrestricted	<u>142,025</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	9,841	
143	Inventories	5,404	
143.1	Allowance for obsolete inventories	(540)	
144	Interprogram due from	<u>23,341</u>	
	Total other current assets	<u>38,046</u>	
150	Total current assets	<u>415,003</u>	<u>18,626</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	243,557	
162	Buildings	4,862,976	76,290
164	Furn, equip & mach-admin.	106,747	37,201
166	Accumulated depreciation	(2,782,996)	(13,510)
167	Construction in progress		<u>7,275</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,430,284</u>	<u>107,256</u>
180	Total noncurrent assets	<u>2,430,284</u>	<u>107,256</u>
190	Total Assets	<u>\$ 2,845,287</u>	<u>\$125,882</u>

Housing Choice Vouchers 14.871	Totals
\$ 123,589	\$ 325,552
31,081	31,081
	<u>31,149</u>
<u>154,670</u>	<u>387,782</u>
	18,626
	2,009
	(410)
	<u>221</u>
	<u>20,446</u>
	<u>142,025</u>
	9,841
	5,404
	(540)
	<u>23,341</u>
	<u>38,046</u>
<u>154,670</u>	<u>588,299</u>
	243,557
	4,939,266
	143,948
	(2,796,506)
	<u>7,275</u>
	<u>2,537,540</u>
	<u>2,537,540</u>
<u>\$ 154,670</u>	<u>\$ 3,125,839</u>

MT. PLEASANT HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2008
=====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 4,009	\$
321	Accrued wage/payroll taxes payable	44,059	
322	Accrued compensated absences-current portion	2,439	
333	Accounts payable-other government	19,621	
341	Tenant security deposits	31,149	
342	Deferred revenues	4,676	
347	Interprogram due to	<u> </u>	<u>18,626</u>
310	Total current liabilities	105,953	18,626
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>9,757</u>	<u> </u>
300	Total liabilities	<u>115,710</u>	<u>18,626</u>
	Net Assets:		
508.1	Invested in capital assets	<u>2,430,284</u>	<u>107,256</u>
508	Total invested in capital assets	2,430,284	107,256
511.1	Restricted net assets		
512.1	Unrestricted net assets	<u>299,293</u>	<u> </u>
513	Total Net Assets	<u>2,729,577</u>	<u>107,256</u>
600	Total Liabilities and Net Assets	<u>\$ 2,845,287</u>	<u>\$125,882</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 159	\$ 4,168
	44,059
60	2,499
	19,621
	31,149
	4,676
<u>4,715</u>	<u>23,341</u>
4,934	129,513
<u>238</u>	<u>9,995</u>
<u>5,172</u>	<u>139,508</u>
<u></u>	<u>2,537,540</u>
	2,537,540
31,081	31,081
<u>118,417</u>	<u>417,710</u>
<u>149,498</u>	<u>2,986,331</u>
<u>\$ 154,670</u>	<u>\$ 3,125,839</u>

MT. PLEASANT HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2008
=====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 321,598	\$
704	Tenant revenue-other	<u>13,775</u>	<u></u>
705	Total tenant revenue	335,373	
706	HUD PHA grants	283,217	
706.1	Capital grants		75,172
711	Investment income-unrestricted	13,461	
714	Fraud recovery		
715	Other income	19,313	
720	Investment income-restricted	<u></u>	<u></u>
700	Total revenue	<u>651,364</u>	<u>75,172</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	95,820	
912	Auditing fees	3,150	
914	Compensated absences	17,006	
915	Employee benefit contributions-adm.	37,352	
916	Other operating-administrative	34,625	
	Tenant Services:		
921	Tenant services-salaries	7,784	
923	Employee benefit contributions	2,433	
924	Tenant services-other	3,860	
	Utilities:		
931	Water	12,433	
932	Electricity	60,607	
933	Gas	50,194	
938	Other utilities expense	8,068	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	92,086	
942	Ordinary maint & oper-mat'ls & other	38,744	
943	Ordinary maint & oper-contract costs	51,985	
945	Employee benefit contributions	37,057	
	General expenses:		
961	Insurance premiums	22,344	
963	Payments in lieu of taxes	19,621	
964	Bad debt-tenant rents	<u>1,854</u>	<u></u>
969	Total operating expenses	<u>597,023</u>	<u></u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 321,598
	<u>13,775</u>
	335,373
218,601	501,818
	75,172
4,147	17,608
344	344
	19,313
<u>495</u>	<u>495</u>
<u>223,587</u>	<u>950,123</u>
3,907	99,727
350	3,500
350	17,356
2,833	40,185
3,984	38,609
	7,784
	2,433
	3,860
	12,433
	60,607
	50,194
	8,068
	92,086
	38,744
	51,985
	37,057
53	22,397
	19,621
	<u>1,854</u>
<u>11,477</u>	<u>608,500</u>

MT. PLEASANT HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2008
 =====

FDS Line Item No.		C-3062 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
970	Excess operating revenue over operating expenses	<u>54,341</u>	<u>75,172</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	17,712	
973	Housing assistance payments		
974	Depreciation expense	<u>137,376</u>	<u>11,050</u>
	Total other expenses	<u>155,088</u>	<u>11,050</u>
900	Total expenses	<u>752,111</u>	<u>11,050</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(100,747)	64,122
1103	Beginning Net Assets	2,731,093	142,365
1104	Prior period adjustments, equity transfers and correction of errors	<u>99,231</u>	<u>(99,231)</u>
	Ending Net Assets	<u>\$ 2,729,577</u>	<u>\$107,256</u>

Housing Choice Vouchers 14.871	Totals
<u>212,110</u>	<u>341,623</u>
175,758	17,712 175,758 <u>148,426</u>
<u>175,758</u>	<u>341,896</u>
<u>187,235</u>	<u>950,396</u>
36,352	(273)
113,146	2,986,604
<u>\$ 149,498</u>	<u>\$ 2,986,331</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Mt. Pleasant Housing Commission
Mt. Pleasant, Michigan

I have audited the financial statements of the business-type activities of the Mt. Pleasant Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated October 30, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

Mt. Pleasant Housing Commission

Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement's will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-1.

The Housing Commission's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management, Board of Housing Commissioners, others within the entity, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Tardiff, CPA, PC

October 30, 2008

**Report on Compliance with Requirements
Applicable To Each Major Program and
on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Mt. Pleasant Housing Commission
Mt. Pleasant, Michigan

Compliance

I have audited the compliance of the Mt. Pleasant Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Mt. Pleasant Housing Commission
Page Two

Compliance (continued)

As described in items 2008-2 and 2008-3 in the accompanying schedule of findings and questioned costs, the Housing Commission, did not comply with requirements regarding procurement and admission's and continued occupancy policies that are applicable to its Low Rent Public Housing program. Compliance with such requirements is necessary, in my opinion, for the Housing Commission, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008.

Internal Control Over Compliance

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133

Mt. Pleasant Housing Commission

Page Three

Internal Control Over Compliance (Continued)

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The Housing Commission's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management, Board of Housing Commissioners, others within the entity, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Tardella, CPA, PC

October 30, 2008

MT. PLEASANT HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
March 31, 2008

=====

The prior audit report for the year ended March 31, 2008 contained three audit findings.

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 2007-1: Eligibility

The required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

I selected seven(7) tenant files at random. The results of my testing were nine(9) exceptions out of a possible 124, i.e. a 7.3% exception rate. But three(3) of the exceptions were for a missing photo I.D. and four(4) were for copies of birth certificates missing. Federal regulations and the Housing Commission's ACOP policy do not require copies of a photo I.D. and birth certificates in the tenant files. If these exceptions were taken out the exception rate would only be 1.7%.

This finding is **cleared**.

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 2007-2: UPCS Inspections

There was no evidence in the tenant files, or available outside of the tenant files to show that all of the tenant units were inspected, other than the City of Mt. Pleasant Fire Department inspection report.

During the fiscal year ending March 31, 2008, maintenance staff took UPCS training. During May 2008, UPCS Inspections were performed and properly documented.

Although the inspections were not done before March 31, 2008, I believe this finding should be **cleared**, since the inspections were done soon after the year end and training had been done before the fiscal year end.

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2007-3: HQS Inspections

There was no evidence to show that Quality Control Inspections were done.

During the fiscal year ending March 31, 2008, the Housing Commission did perform an adequate number of HQS Inspections.

This finding is **cleared**.

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2008

=====

SECTION I - SUMMARY OF AUDITOR RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Mt. Pleasant Housing Commission.

2. There were no control deficiencies disclosed during the audit of the financial statements.

3. There were no instances of any deficiencies in internal control over financial reporting that I consider to be material weaknesses, however the results of my tests disclosed several instances of noncompliance or other matters as described in finding 2008-1.

4. There were no reportable conditions on internal control over major federal award programs that were disclosed during the audit, however there were two findings on compliance matters in the Low Rent Public Housing program as described in findings 2008-2 and 2008-3.

5. The auditor's report on compliance for the major federal award program for Mt. Pleasant Housing Commission expresses a qualified opinion on the Low Rent Public Housing program and an unqualified opinion on the Capital Fund Program.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs included:

Low Rent Public Housing program	CFDA No. 14.850a
Capital Fund Program	CFDA No. 14.872

8. The threshold for distinguishing Types A and B programs was \$300,000.

9. The Mt. Pleasant Housing Commission was not determined to be a low risk auditee.

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION II - FINANCIAL STATEMENT FINDINGS

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-1: HUD Independent Assessment & Management Review of the Housing Choice(HCV) Program & Section 8 Management Assessment Program(SEMAP) conducted on April 7-11, 2008 by HUD's Detroit Field Office resulted in the determination of 23 findings and 9 concerns.

Criteria: Housing Choice Voucher Guidebook 7420.10G

Statement of Condition: The review revealed serious deficiencies in the administration of the program, and failure to comply with SEMAP standards for Indicator Nos. 1-6 and 8, to which the Housing Commission certifies annually.

Perspective Information: The Housing Commission administers 50 vouchers.

Cause: HUD staff's assessment of the program disclosed that the Commission had failed to comply with basic program requirements, and SEMAP standards. It appeared that the Housing Commission failed to exercise appropriate control over key aspects of the program. There is an apparent lack of attention, procedures, and management capacity necessary to train staff and administer the program.

Effect or Potential Effect: Unless the Housing Commission takes aggressive action to address these issues, the HUD Detroit Field Office will impose sanctions or consider alternate management of the program.

Recommendation: We recommend that the Housing Commission staff implement the corrective action plan that must specify the goals required to achieve compliance; identify obstacles, strategies, and resources for accomplishing the goals; identify staff or others with responsibility for meeting goals, as well as tasks that will be implemented to achieve the goals; specify time frames for meeting the goals; and provide for mandatory reports of progress on meeting the goals.

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION III - FEDERAL AWARD FINDINGS

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 2008-2: Procurement Policy

Criteria: 24 CFR 85 and HUD Handbook 7460.8 REV.2 (March 2007). Part 85 is the section of the Code of Federal Regulations, Title 24 that includes the administrative requirements for grantees receiving federal funds. Part 85 provides guidance on developing a procurement policy and system, important parts of a contract administration system, general guidance on the standard of conduct for PHA employees involved in procurement of goods and services, requirements for price and cost analysis. The handbook was revised in March 2007 and incorporates changes in Federal laws and regulations.

Statement of Condition: The current procurement policy is dated March 13, 1990.

Questioned Costs: None

Perspective Information: HUD's new Handbook revision has been updated to clarify, simplify, and update procurement requirements for public housing. It incorporates changes in Federal laws, regulations, and other instructions.

Cause: The Housing Commission's policy is outdated and is currently updating it to reflect the regulations.

Effect or Potential Effect: The Housing Commission may not be following Federal laws and regulations by using an outdated procurement policy.

Recommendation: I recommend that the Housing Commission obtain the new handbook and adopt a new procurement policy to be in compliance. Taking a "Procurement and Contract Management" course would be helpful.

MT. PLEASANT HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2008
=====

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 2008-3: Admission's and Continued Occupancy Policy(ACOP)

Criteria: With the advent of RHIIP (Rental Housing Income Integrity Project), HUD has made it clear that PHA policies must be more comprehensive than ever before. The ACOP policy establishes local policies for administering the Low Rent Public Housing Program in accordance with HUD requirements.

Statement of Condition: The Housing Commission's ACOP policy was adopted in 1997 with subsequent policy updates annually. The plan should be updated to address the requirements contained in PIH Notice 2004-18(HA) concerning verification of social security and SSI benefits using HUD's Enterprise Income Verification(EIV) system for existing tenants, and specify that information for new tenants or applicants be obtained following procedures discussed in this Notice. Also, the ACOP policy should include the required implementation of the Violence Against Women Act(VAWA) of 2005.

Questioned Costs: None

Perspective Information: It is PHA policy that will provide staff with the most specific rules on how to handle family situations.

Cause: It is not clear why the Housing Commission has failed to update the ACOP policy.

Effect or Potential Effect: By not having some of the more recent regulations in the current ACOP policy, the Housing Commission may not be in compliance with federal regulations.

Recommendation: I recommend the Housing Commission as soon as possible adopt a new ACOP policy. The Housing Commission has purchased software that provides guidance on what should be and may be included in an ACOP policy. The Housing Commission is also considering hiring a consultant to review their new draft copy of the ACOP policy when completed.

MT. PLEASANT HOUSING COMMISSION

CORRECTIVE ACTION PLAN

March 31, 2008

=====

FINANCIAL STATEMENT FINDING

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 2008-1: HUD's Detroit Field Office findings and concerns

The Housing Commission will be implementing all strategies and goals as outlined in the Corrective Action Plan issued by the HUD Detroit Field Office to correct all deficiencies within the Section 8 Housing Choice Voucher Program. There were sixteen findings. The Executive Director is the lead staff member in charge of implementing these findings. The expected completion date will be by December 31, 2008.

FINANCIAL AWARD FINDING

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 2008-2: Procurement Policy

The Housing Commission is in the process of updating the Procurement Policy and its modified version is set for review and approval on the November 2008 Board Meeting Agenda. Members of the Housing Commission staff will be attending training on Procurement and Contract Management as it becomes available. The Executive Director is responsible for updating the Procurement Policy.

FINANCIAL AWARD FINDING

Finding Item 2008-3: Admission's and Continued Occupancy Policy

The Housing Commission is in the process of updating both its Admissions and Continued Occupancy Plan and the Section 8 Admin Plan. These updates will include the required implementation of the Violence Against Women Act (VAWA) of 2005. The Executive Director is responsible for updating the ACOP and Admin Plans.

If you have any questions or need additional information, please contact Kimberly Johnson, Executive Director, at (989) 773-3784.